

EDMONDS CITY COUNCIL APPROVED MINUTES

April 26, 2011

The Edmonds City Council meeting was called to order at 7:16 p.m. by Mayor Cooper in the Council Chambers, 250 5th Avenue North, Edmonds. The meeting was opened with the flag salute.

ELECTED OFFICIALS PRESENT

Mike Cooper, Mayor
Strom Peterson, Council President
Steve Bernheim, Councilmember
D. J. Wilson, Councilmember
Michael Plunkett, Councilmember
Lora Petso, Councilmember
Diane Buckshnis, Councilmember

ELECTED OFFICIALS ABSENT

Adrienne Fraley-Monillas, Councilmember

ALSO PRESENT

Peter Gibson, Student Representative

STAFF PRESENT

Al Compaan, Police Chief
Stephen Clifton, Community Services/Economic Development Director
Phil Williams, Public Works Director
Carrie Hite, Parks & Recreation Director
Carl Nelson, CIO
Frances Chapin, Cultural Services Manager
Jeff Taraday, City Attorney
Sandy Chase, City Clerk
Megan Cruz, Video Recorder
Jeannie Dines, Recorder

1. APPROVAL OF AGENDA

COUNCIL PRESIDENT PETERSON MOVED, SECONDED BY COUNCILMEMBER BUCKSHNIS, TO APPROVE THE AGENDA IN CONTENT AND ORDER. MOTION CARRIED UNANIMOUSLY.

2. CONSENT AGENDA ITEMS

COUNCIL PRESIDENT PETERSON MOVED, SECONDED BY COUNCILMEMBER BUCKSHNIS, TO APPROVE THE CONSENT AGENDA. MOTION CARRIED UNANIMOUSLY. The agenda items approved are as follows:

A. ROLL CALL

B. APPROVAL OF CITY COUNCIL MEETING MINUTES OF APRIL 19, 2011.

C. APPROVAL OF CLAIM CHECKS #125019 THROUGH #125159 DATED APRIL 21, 2011 FOR \$673,962.28. APPROVAL OF PAYROLL DIRECT DEPOSIT AND CHECKS #50350 THROUGH #50381 FOR THE PERIOD APRIL 1, 2011 THROUGH APRIL 15, 2011 FOR \$626,104.11.

D. COMMUNITY SERVICES AND ECONOMIC DEVELOPMENT DEPARTMENT QUARTERLY REPORT – APRIL, 2011.

E. CONFIRMATION OF MAYOR'S APPOINTMENT OF NEIL TIBBOTT AND WILLIAM ELLIS AS PLANNING BOARD MEMBER AND ALTERNATE.

F. MAYORAL PROCLAMATION DECLARING MAY 1, 2011 "LOYALTY DAY."

G. MAYORAL PROCLAMATION DECLARING APRIL 28, 2011 "WORKERS MEMORIAL DAY."

H. MAYORAL PROCLAMATION DECLARING THE WEEK OF MAY 1 "NATIVE PLANT APPRECIATION WEEK."

3. ANNUAL REPORT BY THE SNOHOMISH COUNTY TOURISM BUREAU.

Amy Spain, Executive Director, Snohomish County Tourism Bureau, introduced Beth Braun, Marketing Manager, Edmonds Center for the Arts, who serves on the Snohomish County Tourism Bureau Board.

Ms. Spain commented on the importance of tourism to economic development. She explained visitors to Washington State spent \$15.2 billion in 2009; accounting for over \$1 billion in tax revenues. Although tourism is Washington States' 4th largest industry, the legislature is closing the state tourism office. Impacts of the closure result in no umbrella organization to provide cooperative marketing opportunities, advertising options, media coordination and packaged familiarization tours; no state website and no state travel planner.

In response to the closure, the industry established the Washington Tourism Alliance (WTA), a 501(c)(6) organization, which will be governed and overseen by the tourism industry and is not a state government organization. The WTA's mission is sustaining destination tourism marketing for Washington State. The WTA plans to create and implement a strategic statewide destination marketing plan. The just released House proposed budget includes funding to keep the State tourism website live through 2011. She encouraged the Council, staff and the public to get engaged - join, volunteer and advocate for economic development through tourism. Ms. Spain provided several statistics regarding tourism:

- Travel spending increased by 7.4 percent in Washington State from 2009 to 2010. This compares to an 8.5% increase for the entire U.S. over the same time period.
- Total local and state tax receipts generated by travel spending increased by 5% from 2009 to 2010.
- The recovery in the travel industry is being led by demand; Snohomish County saw a 10.3% increase in demand over 2009.
- Visitors from outside of Washington (residents of other states or countries) generated \$245 of tax revenue for each Washington household. Residents travel within the state generated an additional \$145 of tax revenue per household.
- Working proprietors represent one out of eight people working in the travel industry and the travel industry is a substantial employer of women and minorities.
- The economic impact of tourism in Snohomish County includes 8,980 jobs, \$190.8 million payroll, \$13.4 million in local taxes and \$47.9 million in state taxes.

Although visitor spending was down 4.2% in 2010 over 2009, visitor spending in Snohomish County in 2010 totaled approximately \$800 million. She described the impacts of tourism in Snohomish County on transportation/fuel, restaurants, retail sales, recreation and entertainment as well as employment and local and state taxes.

She provided a comparison of Snohomish County Tourism Bureau's (SCTB) tourism marketing budget compared to economic impact, noting SCTB has the lowest budget to economic impact percentage. She commented on the formation of the Tourism Promotion Area (TPA) in Snohomish County and the opportunity it provides the SCTB and cities, festivals and events to obtain funds for marketing. The TPA Board includes representation from all five Snohomish County districts including Stephen Clifton for District 3 as well as 9 voting hotel members. Funds will begin to be collected July 1, 2011 and available to the community by early 2012. The TPA Board is developing criteria and an application process.

Ms. Spain reported ads placed in meeting and event planner, reunion and sports related publications generated 1,499 requests for information, and an additional 13,428 requests from leisure travelers. In 2009 instead of printing a meeting facility guide, a CD was created that allows tracking of what is viewed on the CD.

Ms. Spain reported on tourism development for individual leisure travel, describing advertising marketed to various publications that generated 14,588 requests for information, a slight decrease (5%) after a 62% increase in 2009. There were 6,970 visits to RoomsAtPar/YourGreat Escape websites as a result of advertising presence. SCTB is moving from print resources to online with online banner ads, keyword buys and search engine optimization. A program launched in late 2010 with Seattle Tourism Bureau and Tacoma Bureau, *Tourism Revealed – The Adventure of Puget Sound*, encourages visitors to travel throughout Puget Sound. The program includes monthly emails to 82,000 emails, 1900 visits to the website in 6 weeks and nearly 900 Facebook likes.

She provided SCTB's primary website, www.snohomish.org, a website related to the wedding market, www.snohomishcountyweddings.com, and websites geared toward booking overnight stays, www.RoomsatPar.com and www.YourGreatEscapes.com.

She commented on web trends, a 117% increase in visits to the Snohomish.org website 2007-2010. She described a new guide created in 2010 that highlights aviation attractions. She described public relation and media efforts, publication of StoryLine, a bimonthly media newsletter distributed to travel writers; media sales missions, keyword buys, banner ads, partnerships with Destinations2Discover a neighborhood Vacations2Discover, new social media programs with Facebook and Twitter, Squidoo, blogs and YouTube. She described volunteer hours and services provided at Visitor Centers, education provided to volunteers including two familiarization tours to Edmonds and education provided to the tourism community.

Councilmember Buckshnis asked how the Council could assist the SCTB. Ms. Spain responded the WTA is in its infancy. Because Washington was 47th in tourism funding, the industry had gathered to discuss how to supplement tourism funding, never imagining tourism funding would be totally eliminated. The WTA is a membership organization; individuals and organizations can join for as little as \$25. There is a founding board of five members who represent attractions, restaurants, destination marketing organizations and hotels. She envisioned at some point the WTA would broaden from a membership organization to an assessment which will require legislative support.

Councilmember Buckshnis suggested Ms. Spain make a presentation to Snohomish County Tomorrow (SCT). Although the SCT's focus is on growth management, good growth is not possible without economic development.

Councilmember Wilson commented he felt in the past that Edmonds was left out of tourism promotion in Snohomish County; Ms. Spain's presentation demonstrated that is no longer the case. He encouraged her to keep Edmonds on her list of priorities. Ms. Spain answered eight German travel writers are visiting Washington State and will be spending a portion of their day in Snohomish County in Edmonds. She expressed her appreciation for Mr. Clifton's involvement in tourism.

4. EDMONDS ARTS COMMISSION 2010 ANNUAL REPORT AND PRESENTATION OF 2011 SCHOLARSHIP RECIPIENTS

Cultural Services Manager Frances Chapin introduced Arts Commission Chair Samantha Saether. Ms. Saether recognized Arts Commissioners in the audience. She described the history of the Arts Commission; in 1975 the City Council recognized the importance of art and culture to the quality of life and a vital economy by creating the Arts Commission. The Arts Commission recently celebrated its 35th anniversary; she thanked the City Council and the community for their continued support and recognition that arts and culture are critical to the identity and economic health of the community.

Ms. Saether provided highlights of 2010, explaining creative activities contribute to cultural tourism of the area. In 2010 the Write on the Sound Writers Conference celebrated 25 years, growing from a 1 day event to a 2-day conference attracting participants from across the country. The Arts Commission also facilitated tourism promotion awards that provide funding from Lodging Taxes to local, non-profit organizations promoting cultural events that bring visitors to Edmonds including the Olympic Ballet, Cascade Symphony, Driftwood Players, Edmonds Art Studio tours, the DeMiero Jazz Festival and SnoKing Community Chorale. The Arts Commission publishes a quarterly email newsletter to keep residents and visitors informed about upcoming arts and cultural events.

Quality of life for the community is enhanced via visual, performing and literary arts programs. One of the most popular Arts Commission programs is the free summer concert series in City Parks with an average attendance of 400. The City takes pride in its collection of publicly owned and displayed artworks including over 150 original works such as the iconic Cedar Dreams fountain. Artworks are funded through the percent for arts ordinance and significant donations, primarily from the Edmonds Arts Festival Foundation. In 2010 the newest additions to the collection are three art-enhanced flower basket poles funded through the Arts Festival Foundation and a new program similar to the City bench program.

Enhancing the missions of the Arts Commission are partnership, grants, and sponsorships that are critical to a limited budget. The Arts Commission recognizes the Edmonds Arts Festival Foundation, Edmonds Library, Friends of the Edmonds Library, Edmonds School District and Edmonds Community College and sponsorships from Lynnwood Honda and Acura of Lynnwood for concerts in the park and Windermere Edmonds and Royal Bank Wealth Management for Write on the Sound.

For 14 years the Arts Commission has partnered with the Friends of the Edmonds Library to recognize 600 third graders celebrating their favorite book with the Best Book Poster Contest. The Arts Commission co-sponsored two arts workshops in College Place Middle School with a guest writer.

The Arts Commission also supports arts education via scholarships. She introduced Joanne Otness, Arts Commission Vice Chair, to present the 2011 recipients. Ms. Otness explained the scholarship program was established in 1985 and is funded via donated funds and proceeds from the Write on the Sound Conference. Scholarships are awarded to Edmonds students planning a career in the arts. To date the Arts Commission has awarded 55 scholarships, many of the recipients have gone on to study at prestigious schools and a number are writers and music teachers.

Ms. Otness introduced the 2011 Arts Commission literary and performing arts scholarship recipients, Todd Hollenhorst and Hannah King, Meadowdale High School seniors, who will receive \$1250 each. Mr. Hollenhorst has played the piano since age 7. As a freshman he began playing jazz piano and accompanied the award winning Meadowdale Jazz Band. He sings and accompanies the impression jazz choir and plays French horn in the wind ensemble. Ms. King has studied dance since childhood, becoming proficient in ballet and contemporary dance. She is also an honor student, takes voice lessons, has entered art in the Edmonds Arts Festival and volunteers with the Special Olympics.

Mr. Hollenhorst advised that he plans to attend Cornish College of the Arts in Seattle in the fall. He thanked the Arts Commission for the scholarship and his parents for their support. Ms. King advised she is deciding between George Mason University and the Boston Conservatory.

5. AUDIENCE COMMENTS

Al Rutledge, Edmonds, reported a cell tower was being installed at 232nd & Edmonds Way. He also reported May 5 is National Day of Prayer; Westgate Chapel is recognizing the day. The next Friends of the Edmonds Library meeting is Thursday, April 28 at the Frances Anderson Center.

Roger Hertrich, Edmonds, referred to Consent Agenda Item 2D, Community Services and Economic Development Department Quarterly Report, that describes the long term solution to conflicts between the ferry, rail, automobile, buses and pedestrians; moving to Pt. Edwards; and a new rail station for intercity passengers, commuter rail and Sounder service; and a transit center. He referred to construction on the Commuter Rail station and questioned whether it was a permanent or temporary structure. If it is a permanent structure, it violates the Comprehensive Plan which calls for a temporary structure. He recommended the station either be identified as temporary or, if it is a permanent structure, the Comprehensive Plan be amended. The overhead loading is temporary, constructed so that it can be moved to Pt. Edwards in the future.

With regard to the overhead loading, Community Services/Economic Development Director Stephen Clifton reported on December 10, 2004, Superior Court Judge Christine Pomeroy issued an order reversing the Shoreline Hearings Board decision, taking away the temporary status of the overhead loading and making it a permanent structure. That decision was based on the State's essential facilities legislation. The City argued the overhead loading should be temporary; the Shoreline Hearings Board agreed but the Superior Court Judge did not agree and reversed the temporary status of the overhead loading.

With regard to the commuter rail station, Mr. Clifton explained in late 2008/early 2009, recognizing that the State's Long Range Washington State Ferries Plan did not include any money for Edmonds Crossing through 2030, he requested the City Council support staff's recommendation to ask Sound Transit to construct the 2002 commuter rail station plan. The 2002 plan recognized the components of the station would be moved to Edmonds Crossing. At this point it could become a permanent station but it has not yet been defined as a permanent station.

Councilmember Plunkett asked whether the Superior Court decision required any change be made to the Comprehensive Plan as suggested by Mr. Hertrich. Mr. Clifton answered no.

Lesly Kaplan, Edmonds, commented she was amazed and astounded at the dedicated, competent, smart, capable people who worked for the City. She referred to concerns expressed about their salaries and tightening up their job descriptions, citing the importance of maintaining strong employees and the services the City offers. She was willing to support tax increases to keep the City strong and capable. She urged the Council to take measures to ensure the City remains financially strong.

6. DISCUSSION OF REALLOCATION OF REAL ESTATE EXCISE TAX (REET) FUNDS.

Council President Peterson explained this subject was discussed at the Council retreat and it was agreed to discuss it further at a Council meeting.

Parks & Recreation Director Carrie Hite explained the first ¼% of REET is allocated to Fund 126, Special Capital Improvement Fund. It is currently used primarily for debt but can also be used for acquisition, development, repair, replacement of parks, recreation facilities and public works facilities. After debt is paid, remaining fund are allocated to parks. The second ¼% of REET is allocated to Fund 125, Parks Improvement Fund. Fund 125 is used for planning, construction, reconstruction, repair, rehabilitation and improvement of parks. The City's current policy allocates the first \$750,000 to the Parks Improvement and funds in excess of \$750,000/year are allocated to streets.

HB 1953 allows cities and counties to use the first and second quarter REET for operations and maintenance purposes for all eligible categories in statute; cities and counties may use the greater of \$100,000 or 35% of available funds, not to exceed \$1 million per year. The bill allows the second quarter

to be used for debt services. The legislation would sunset December 31, 2016. The bill was passed by the House and Senate and was sent to the Governor on April 22; she has not yet signed the bill.

Ms. Hite cited the following sections of the Edmonds City Code:

- 3.29.010, imposing REET for Special Capital Improvement Fund (Fund: 126)
- 3.29.015, imposing additional REET (Fund 125)

She provided a description of Fund 126, REET 1, and Fund 125, REET 2 for 2007-2011, advising the City has received \$122,410 in each of those funds during the first three months of this year. She reviewed expenditures from Fund 125 including approximately \$8,000 in professional services (an easement for the Interurban Trail) that will be allocated from Parks Construction Fund 132. She explained REET 2 is often used to leverage funds for State grants. For example, the interurban trail section between Shoreline and Mountlake Terrace. The City was awarded \$1.3 million in grants that will be placed in Fund 132. An additional \$200,000 will be allocated from REET to Fund 132 to finish that project.

She continued her review of expenditures from Fund 125, an interfund transfer out of \$158,000; \$153,000 of that will be placed in Fund 132 and is earmarked for construction of the Dayton Street Plaza. The other \$5,000 will be placed in the Municipal Arts Fund to support interpretive signage on the 4th Avenue Corridor. A grant was received for that program and funds leverage from REET for that project. She summarized Fund 132 is used primarily for larger park construction projects.

Ms. Hite reviewed Fund 126 Debt Expenditures in 2010:

	Purpose	2010 Payments
2001 Bond principal	Marina Beach Purchase	\$100,000
2011 Bonds interest	Marina Beach Purchase	\$ 82,668
2007 LTGO Bond principal	Frances Anderson Center Seismic Project	\$ 15,990
2007 LTGO Bond interest	Frances Anderson Center Seismic Project	\$ 13,882
1998 REF Bond principal	City Hall Acquisition and Development	\$345,591
198 REF bond interest	City Hall Acquisition and Development	\$ 71,673
2002 LTGO Issue	REET Share of Edmonds Center for Arts	\$ 70,792
Grand Total		\$700,596

Ms. Hite described the following projects budgeted to be funded via Fund 126 in 2011:

- Haines Wharf closeout: TBD
- Yost Pool repairs: \$105,000
- City Park Playground replacement: \$200,000
- Old Milltown development: \$40,000
- Dayton Street Plaza: \$135,500 (delaying to 2012)
- SR 99 Enhancements: grant funded
- 4th Avenue Cultural Corridor planning: \$75,000 (delaying to 2012)
- Interurban Connection: grant funded, may need additional leveraged funds

Ms. Hite identified the following annual park improvements/maintenance:

- Citywide beautification (primarily the Flower Program): \$30,000
- Miscellaneous paving projects: \$10,000
- Citywide park improvements: \$35,000
- Miscellaneous unpaved trails/bike paths: \$10,000

2012 REET funded projects include:

- Interurban Trail: \$200,000-\$250,000
- Anderson Center Field: \$30,000
- Marina Beach Park Improvements: \$75,000 (expand parking, portable restroom upgrades, repair/improvement of OLAE, replace play structure, interpretive signs)
- Fishing Pier: \$30,000
- Mathay Ballinger Park: \$45,000 (play structure, picnic area)

2012 park improvements/maintenance include:

- Citywide beautification (Flower Program): \$30,000
- Sports Field Upgrades: \$25,000
- Citywide park improvements: \$35,000

Ms. Hite summarized the REET Parks Improvement Fund is used to leverage grants for both planning, acquisition, and development. It is the only capital money currently dedicated to parks. It is also used to take care of some general park maintenance. If the Council chose to reallocate REET funds to streets, she recommended the Council consider other revenue tools for parks as reallocating funds currently used for ongoing maintenance will impact long term park maintenance.

Councilmember Buckshnis asked if the Council could talk about Haines Park overruns. City Attorney Jeff Taraday recommended the Council not discuss the merits of their claim or what the City was doing to defend against the claim. For planning and budgeting purposes, the Council could discuss worst case scenario dollar amounts. Councilmember Buckshnis suggested Ms. Hite comment on how cost overruns occur, who approves them, etc. Mr. Taraday cautioned against any specific discussion regarding Haines Wharf. Mayor Cooper suggested if Councilmember Buckshnis had questions that had not been answered in executive session, either she meet with Ms. Hite and Mr. Taraday or the Council meet again in executive session regarding that matter.

Councilmember Wilson referred to REET Fund 126 Debt Expenditures, and asked why REET versus General Fund covered the 2002 bond for the ECA and whether the City pays that amount or if the City was paid back by the ECA. Ms. Hite advised these bonds were for the first part of construction; the other bonds were for the second part, the ECA bonds that the City guaranteed. Community Services/Economic Development Director Clifton clarified as part of the overall ECA funding package, the City agreed to contribute \$2 million to the ECA project – \$1 million in REET cash and a bond for \$1 million – the REET fund is used to pay a portion of that bond. The first bond was \$7 million and the ECA had a \$3.5 million line of credit. When the ECA refinanced in 2008/2009, the line of credit and the amount remaining on the original \$7 million bond were combined into one large bond. The bond paid from REET Fund 126 is the original \$1 million City contribution.

Councilmember Wilson relayed a citizen's question regarding how much the City has spent on the ECA since it began. Mr. Clifton answered the originally contributed \$2 million plus the recently contributed \$100,000 plus staff time. Funds are also allocated from Hotel/Motel Tax to assist with marketing.

Councilmember Petso referred to the debt schedule, recalling there were debt payments for the library roof made from Fund 126. Ms. Hite offered to investigate.

Council President Peterson thanked Ms. Hite for the presentation, noting it clarified some of the expenditures and will assist with discussions regarding the levy. Although there are options with regard to how REET funds are expended, if REET funds are used for transportation, there is less money for basic park maintenance. REET funds need to be considered in conjunction with other funding options. Although it would be difficult to reallocate REET funds at this time due to budgeted items, there may be opportunity in the future to use funds to supplement transportation projects as debt is retired.

Councilmember Petso advised she plans to investigate whether some of the debt service could be shifted from the 126 Fund to the 125 Fund in order to free up funds in the 126 Fund for future park acquisition. And I know that's not going to be big dollars at this point but if we can even move \$70,000 over it would be enough to do a million dollar match on a two million dollar parcel. She will research if shifting funds was legal and/or plausible.

Councilmember Wilson commented he was interested in a General Obligation Bond to acquire land for park purposes such as the Civic Center Playfields. All the parks projects funded in 2011 are great projects and clearly have a constituency but 97% of the City's streets need repairs. He suggested before Mayor Cooper prepares the 2012 budget, it would be appropriate for the Council to have that conversation and provide guidance. He was prepared to reallocate some of the REET funds toward streets.

Council President Peterson commented those are some of the tough choices that the Council will make. The City has a great history of parks acquisition and that is any city's ideal. If the voters pass a levy, funding for parks may be more secure because additional funds may be dedicated to transportation. If the Council does not place a levy on the August ballot and a budget is prepared without knowing the outcome of a levy or if a levy on the August ballot fails, the Council will need to make difficult decisions that have been postponed for the past few years. He summarized without additional funding, difficult choices will need to be made.

Councilmember Buckshnis explained the City is not receiving sufficient REET revenue to pay down debt and dedicate funds to streets.

7. DISCUSSION OF LEVY OPTIONS. (PUBLIC COMMENT WILL BE RECEIVED)

Councilmember Buckshnis read the following statement from the 2010-2011 Citizen Levy Committee (John Carlin, Barbara Chase, Darrol Haug, Evelyn Wellington, Harry Gatjens and Bill Vance):

Work completed and reported to Council:

- 1. An Interim Report and Power Point Presentation were provided to the Council in February 2011. The report summarized data relating to the committee research and results since inception at the end of July 2010.*
- 2. Tax Models and Sample Levies initiated by Darrol Haug were presented to the Council along with extensive research on how these levies would impact the City's Financial Forecasting model.*
- 3. Dissenting opinions from Ms. Beyer, Ms. Chase and Ms. Wellington on research related to discretionary expenditures, employee benefits, fragmentary support from staff, and apparent incomplete financial information were also presented to the Council.*

Further information available at: www.ci.edmonds.wa.us/CitLevyComm.stm

Levy Committee Recommendations:

- 1. Committee recommends placement of the levy on the November ballot. This will allow the City's Legislative and Administrative branches sufficient time to employ polling techniques and educate the public with a positive and clear message. It is also noted that November elections have a larger turnout.*
- 2. Committee recommends multiple targeted levies on the ballot so as to give the voters a choice of preferred capital upgrades. Targeted levies must be clearly stated so as not to confuse the voters.*
- 3. Committee recommends targeted levies for a specific time period: three years. It is determined that timed levies allow the citizens more control of taxation.*

4. *Committee recommends targeted levies until such time as 1) current, accurate and complete information is provided by the Administration; and 2) employee benefit costs are examined (see Ms. Wellington's dissenting opinion for entire commentary in this area).*
5. *Committee recommends a targeted STREETS LEVY for street overlays of \$1.5 million/year for the next three years.*
6. *Committee recommends a targeted capital upgrade levy for Parks (\$300,000), Public Works (\$500,000) and Yost Pool (\$300,000) for a total of \$1.1million/year for the next three years.*

Committee wants to highlight to the Council the costs associated with the service contract with Fire District 1: this service contract makes up approximately 18 percent of the General Fund. This service contract will grow from one to three percent a year until its expiry in 2014. Revenues from the EMS tax and transport fees flow into the General Fund but are not sufficient to cover the service contract costs. The Council will need to determine what course of action to take within the next couple of years to make up for that shortfall. This decision will have a significant impact on the budget and/or property taxes of citizens if the City moves to a Regional Fire Authority. It is expected that this issue will most likely require the vote of the people.

The City's forecasting models need to be more specific in terms of breaking out this large expense as well as providing the supporting data for the projections. To date, support for the forecasting models has not been forthcoming. It is also recommended that the forecasting models have two or three scenario to provide both positive and negative trends.

Lastly, Mayor Cooper announced that he intends to put together a group of 30 people to help with his levy efforts. [Mayor Cooper later clarified the group would assist with the 2012 budget.] It would be helpful if our members are invited by the Mayor as the work and research we have done to date could be very helpful.

Public Comment

Ron Wambolt, Edmonds, commented although \$32.5 million is a lot of revenue to operate the City for one year, it is not enough when imprudently allocated. He expressed concern that staffing costs left little for street overlays or other infrastructure maintained. He cited Development Services as an example of boom-year staffing; there were three times as many projects three years ago, Architectural Design Board meetings are frequently cancelled because there are no proposed projects to review and not a single project has been constructed in the five BD zones since they were created five years ago, yet staffing levels have not been reduced. Although other government bodies in the State have negotiated a variety of concessions from their workers to help alleviate revenue shortfalls, the Council has been unable to do the same. He acknowledged some staff took 9 furlough days in 2009; however due to the COLA increase, their total pay in 2009 was still above 2008.

Because the Council has misallocated the use of City revenues, Mr. Hertrich urged voters not to support a levy in 2011. He suggested the 2012 budgeting process do what the Council or Mayor would not do, cut staffing costs and reduce expenses to bring them in line with revenue and reduced demand for certain services. He was hopeful after elections in November, concessions will be negotiated to allow restoration of some of the 2012 budget cuts before they are implemented. Citizen may then be more inclined to vote for a smaller levy in 2012.

Dave Page, Edmonds, commented the creator of the REET budget was suffering from delusions of grandeur. As the former chair of the Public Safety Levy Committee, he cited the importance of educating the public regarding the need. He commended Mayor Cooper for the explanation of his levy proposal in the *Edmonds Beacon*. If the Council expected to pass a levy, he recommended getting people who support a levy to attend public meetings and educate the public. He also recommended testing the public's temperature toward a levy and cuts.

Roger Hertrich, Edmonds, commented since Mayor Cooper arrived, there had not been any reductions in staff. He cited an example in the Planning and Building Department where two inspectors compete in the field because there are too many personnel and not enough work. He relayed comments from a developer who found it very confusing to have two inspectors on a project. He suggested Mayor Cooper reduce labor as a way to trim the budget as much as possible to avoid a levy. He suggested the TBD Board pursue funding for roads. He inquired about the status of the City's finances, commenting he was uncomfortable with increasing taxes until he knew more about the City's financial situation.

Al Rutledge, Edmonds, suggested bringing in special events to generate revenue, citing the opening of Lynnwood Recreation Center. He suggested the City purchase Al Dyke's property and construct an entertainment center that would attract visitors and generate revenue. He suggested the answer may be a new pool in Edmonds.

Councilmember Bernheim asked Mayor Cooper to comment on allegations that Development Services is over staffed and how he justified the \$1.5 million paid in salaries and benefits to the 16 employees. Mayor Cooper explained the FTE in that department had been stable even during the boom years; staff was not added in that department during the boom years and the City received a lot of complaints about long lines and delays. Previous Councils and the Mayor did not reduce staffing because staff had not been added during the boom years. For at least the last 1½ years the Council and Mayor made a conscious decision not to fill the Development Services Director position, resulting in salary savings for a job that pays in excess of \$120,000/year.

Councilmember Bernheim asked Mayor Cooper to comment on the current workload of employees in the Development Services Department; how the City was benefiting from their work if they are not processing applications for new development. Mayor Cooper offered to confer with Mr. Clifton regarding the number of FTEs in the department during the boom years and now and the workloads of each individual. During preparation of the 2011 budget, a decision was made to present a budget that left the Development Services Director position vacant for part of 2011 rather than reduce staffing elsewhere in the department. A code rewrite is needed and perhaps some reorganization is warranted to get that work done. He was uncertain the result would be fewer FTEs; it may result in employees doing different work.

Councilmember Buckshnis inquired about the timeline for hiring a new Finance Director and possibly changing from an Administrative Assistant to a second Finance Director to assist with providing accurate and timely financials. Mayor Cooper responded the application period for a Finance Director closes Friday, April 29. On Monday, May 2, he will begin reviewing applications with the Human Resources Director and other staff members. They will narrow down the applicants and begin the interview process. If there is a pool of qualified applicants, his goal is to have the Council interview three finalists in time to make a decision in late May/early June. With regard to an Administrative Assistant, once a new Finance Director is hired, a holistic look will be given to reorganization. He has discussed reorganization citywide with other Directors.

Councilmember Wilson advised the former Development Services Director Duane Bowman left April 1, 2008; the position has been vacant for over 3 years. In response to Mr. Wambolt, Councilmember Wilson explained Councilmember Buckshnis and he via the Public Safety & Human Resources Committee have been reviewing employee benefits at the direction of the City Council. It is not the Council's responsibility to renegotiate contracts with labor organizations and soliciting furloughs is the Mayor's responsibility. The Council's responsibility is the policy. Both Councilmember Buckshnis and he are up for re-election this year and he noted there was no political benefit to reviewing employee benefits. He pointed out many people, including possibly Mr. Wambolt, supported a \$3.75 million levy a few years ago. The Mayor's proposal and the Council's discussions are clearly sensitive to the current economy. He agreed the financials were frustrating to everyone, but regardless of whether they were off by 5% or 10%, the City has a revenue problem not an expense problem.

Councilmember Wilson cited Lynnwood as an example of a city with an expense problem. Lynnwood has 30,000 citizens and provide the same essential services with 363 FTEs. Edmonds provides the same services and if fire employees are added in, Edmonds has 270 FTEs for 33% more population. Edmonds' expenses are being scrutinized but the real problem is revenue. He assured the Council was considering revenues and expenses responsibly.

Council President Peterson commented hiring and retraining staff is very expensive. He remembered the complaints during the boom years about the length of time spent on the second floor of City Hall when he and others were opening businesses. He was hesitant to say that a reduction in 1-2 FTEs on the second floor would turn the ship around. To the contrary, if the City is not ready with a code rewrite and an experienced staff when the economy turns around, the City will be behind other cities.

Council President Peterson thanked Councilmembers Wilson and Buckshnis for considering creative ways to save money on benefits. He pointed out the City's employees are willing to consider ways to save the City money; a public employee is more than a salary, it is someone who provides a service for the City and its citizens. Edmonds is a service business and services cannot be provided without quality, experienced employees.

Mayor Cooper suggested the Council determine, 1) whether they wanted one or several ballot measures, 2) the amount of a levy, and 3) whether to put a levy on the August or November ballot.

Mayor Cooper clarified during his State of the City address he said he planned to assemble a stakeholder group of 30 people to advise him on the 2012 preliminary budget, not to help pass a levy. In fact it would be inappropriate for him to put together a stakeholder group to help pass a levy because it would be misuse of public funds to lead that type of effort at the City's expense. That will need to be a volunteer effort once the Council makes a decision regarding a levy. The stakeholder group he forms to advise him on the 2012 budget may have conversations about revenue because if the Council chooses not to ask voters for additional revenue, cuts are a definite probability in the preliminary 2012 budget. As he mentioned previously, it is not a matter of whether the City falls below the Council's once month reserve established in the 2011 budget, it is a matter of how far below. If the Council chooses not to ask voters for additional revenue he will bring decisions to the Council; it may be layoffs, reductions in maintenance, etc. The City's labor unions are working collaboratively with the City's negotiating team to identify solutions.

In response to Councilmember Wilson's comment, Mayor Cooper pointed out it is not the Mayor who decides what is presented at the bargaining table with labor unions, the Council makes that decision. The City Council has the responsibility in labor relations, not the Mayor. The Council can request he act as the Council's agent at the bargaining table, but the Council sets the parameters and votes on the labor contracts.

With regard to Mr. Wambolt's statements, Mayor Cooper explained that in the midst of a 3-year collective bargaining agreement that employees and the City negotiated in good faith, employees received a COLA increase in 2009, the same year they gave up 3% of their pay for furloughs. He noted some of the current Councilmembers may have approved that COLA increase, perhaps even Mr. Wambolt when he was on the Council. He summarized the City honored collective bargaining agreements via the 2009 pay raise, based on 2008 when the cost of living was still increasing. He was on the Snohomish County Council at that time and Snohomish County employees received a 6.5% increase but also took furloughs.

Whether the Council adopts his proposal or the Citizen Levy Committee's proposal, Mayor Cooper recommended the Council consider whether the proposal addresses the deficit.

Mayor Cooper explained staff cobbled together professional services money and hired a reputable polling company to conduct a scientifically valid public opinion survey. The survey is being conducted now and he hoped to present raw data to the Council at the May 3 Council meeting. He has requested Council President Peterson schedule a special Council meeting on committee night (May 10) so that Alison Peters from the polling company can make a full presentation to the Council on the polling results. The survey asks about multi-year levies, separate ballot propositions, the size of the levy, etc. He also intends to provide an up-to-date forecasting model based on 2010 yearend actuals at next week's meeting. He urged the council to continue their conversations and make a decision to address the City's revenue problem even if a decision cannot be made by May 24 to put a levy on the August ballot.

Council President Peterson suggested the Council answer the most basic question, whether to place a levy on the ballot in 2011. Councilmember Bernheim responded he was in favor of a placing a levy on the ballot in 2011. He also favored holding as many meetings as possible to reach unanimity regarding a levy. He anticipated anyone reviewing the City's financial documents would conclude that taxes need to be raised because the cost of government has increased and the amount citizens pay to keep the government running is less today than in prior years. He assumed citizens would support paying their fair share for what it costs to keep the government running. He summarized as a result of the 1% cap on property taxes, cities must ask the voters for increases.

Councilmember Buckshnis agreed the Council should have as many meetings as are necessary. She recalled Councilmember Wilson saying on March 15 that he did not approve the 2011 budget or any amendments because he did not have faith in the financial statements. There has been no change in those financial statements and there has not been a representative of the Finance Department at the last six meetings. She acknowledged the City has a revenue problem but financial transparency is important to help citizens understand. She favored a levy that funds streets, parks and the arts.

Councilmember Petso agreed the Council needed to keep moving forward. There is potential to bring a variety of proposals to voters that they may be interested in pursuing. In her discussions with citizens, they are particularly interested in dedicating funds to paving. She echoed Councilmember Buckshnis' comments regarding the City's financials. She thanked the Citizen Levy Committee for their work to untangle the City's financials. She was no longer able to review the situation in terms of a one month reserve because she was uncertain the one month reserve was established correctly. She provided the following example using a simplified household budget:

Balance in checking account:	\$2,000
Paycheck (earned but not received):	\$2,000
House Payment (due but not yet paid):	\$1,500

One way of evaluating this household's financial position is the cash position which is the \$2,000 in the checking account. Another way is the checking account balance, plus the paycheck less the house payment or \$2500. Either of those two numbers would be a common basis for decision making as a policy maker. That is not how the City's working capital is figured; as she understands it, working capital is figured using the balance in checking, less the liabilities, ignoring the paycheck and reporting the financial position as \$500. When the one month reserve was established, she was unaware that was how working capital was figured. Further, the financial polices Councilmember Buckshnis presented that recommended a 1-2 month reserve may have been based on a cash position, maintaining a cash position equal to a 1-2 month reserve. Therefore it may be a mistake to attempt to maintain a working capital target of a one month reserve.

Councilmember Petso recognized that when expenses grow faster than revenues, there would be a problem at some point. She will continue researching the one month reserve to ensure the City is setting the right target.

Councilmember Buckshnis explained Edmonds uses the phrase “modified working capital.” Using Councilmember Petso’s example, the working capital of \$500 is used throughout the entire year as beginning cash which does not provide the City’s actual position.

Councilmember Wilson referred to Exhibit 6 in the levy packet, the General Fund forecast that was adopted as part of the budget, noting that reflects lower property tax receipts in 2012 compared to 2011. He commented that is not accurate as property taxes will be 1% higher. He asked Councilmember Petso and Councilmember Buckshnis if they would be unable to support a levy until the finances were perfect.

Councilmember Petso answered it was not necessary for her to stop considering a levy until the finances are perfect. She will work toward having a complete understanding prior to the ballot date. When making decisions, she does her best to determine the cash position at the beginning of the year rather than focusing on the working capital target. She supports moving ahead but as the Council moves ahead, she will not necessarily focus on a one month working capital target. She will instead look to other targets such as a balanced operating budget, whether reserves will continue to be eroded and whether capital projects will continue to be neglected.

Councilmember Wilson suggesting Councilmember Buckshnis and he make a presentation to the Council regarding employee benefits at the next Council meeting. He suggested Councilmembers begin proposing levies for Council discussion. There are budget deficits in nearly every account, there are capital deficits and public building deficits and because the City provides more with less staff than any other city, there is a morale deficit. The budgeted increase in benefits 2011 to 2012 is 8% which may be low. Even with that low number, next year’s expenses will exceed revenue by \$600,000. He did not support the 2011 budget due to cuts in the Police Department and he will not support a 2012 budget that makes \$600,000 in cuts. He was ready to proceed with the right levy and preferred to put a levy on either the August 2011 or February 2012 ballot. He anticipated there was sufficient time to educate the public prior to an August ballot if all seven Councilmembers were on board.

To Councilmember Wilson’s comment that the forecast that indicated lower property tax receipts in 2012 than 2011, Mayor Cooper explained the general property tax levy and the EMS levy are included in the chart. Property tax collections for the EMS levy go down because the EMS levy is \$0.50/\$1000 AV on much lower property values. Because of the EMS levy, the Snohomish County projects property tax collections will be lower in 2012 than 2011. Property values in Snohomish County have gone down 13% this year. He suggested in the future the EMS levy and the general property tax levy be separated.

Council President Peterson summarized there appears to be general agreement on the Council to move forward with some type of levy proposal in 2011. Another issue is the lack of financial information. Whether the Council chooses to place a levy on the August or November ballot, a new Finance Director will not be hired until at least June. He was doubtful that a new Finance Director will be able to create a new set of reports by campaign season. He asked if the Council was willing to allocate funds to either staff another employee in the Finance Department or a contract employee for six months to physically do the work. Mukilteo’s model requires a great deal of data entry that Edmonds does not have the staff to create. The interim Finance Director believes the Finance Department is understaffed and the last few Finance Directors believed the department was understaffed. At some point the Council either has to allocate funds to fix the problem or accept the fact that the numbers will not be completely clear and move forward anyway. He preferred to allocate resources so that clearer financials could be prepared.

COUNCIL PRESIDENT PETERSON MOVED THAT THE COUNCIL TAKE \$100,000 FROM THE CAPITAL RESERVE FUND AND DEDICATE IT TO THE FINANCE DEPARTMENT IN ORDER TO EITHER HIRE A NEW EMPLOYEE OR HIRE A CONTRACT/CONSULTANT EMPLOYEE TO CREATE A MORE READABLE BUDGET OUTLOOK. MOTION FAILED FOR LACK OF A SECOND.

Mayor Cooper estimated the annual cost of wages and benefits for an accountant was approximately \$100,000.

Councilmember Buckshnis reported at the Public Safety & Human Resources Committee, Councilmember Wilson and she will be discussing a Council staff position for budget/financial/insurance purposes. Darrol Haug and she obtained the templates created by Redmond's Finance Director Mike Bailey. Mr. Haug will insert the City's numbers in the templates for Council consideration.

Councilmember Wilson expressed general support for an additional FTE in the Finance Department. The Council is being provided data that does not serve its needs, in part because not enough resources are being provided to create the necessary data. In addition to another person in Finance, the Council needs a full-time staff person to coordinate policy initiatives. The Council has done a lot of innovative policy things such as the community solar project. If the Council had a staff person to coordinate with City staff, six hours of Council and staff time spent on the solar project at Council meetings could have been saved. He supported hiring a Council staff person this summer so that the Council has someone to break down communication barriers.

Council President Peterson explained his proposal was a part-time consultant for six months or less to assist with preparing reports and avoid the ongoing expense of a full-time employee.

Councilmember Wilson commented the problem was a political challenge; the Council is trying to develop tools to make political decisions. He commented on the importance of Councilmember Plunkett's support and understood from his comments last week that he would be willing to support a capital levy for streets. Councilmember Wilson suggested Councilmember Plunkett and Council President Peterson provide draft numbers for a levy.

Councilmember Plunkett advised he could support a capital levy to fund street overlays and deferred park maintenance.

Councilmember Wilson asked whether Councilmember Plunkett could support a 4-year with \$700,000 for streets and \$500,000 for parks maintenance. Councilmember Plunkett answered he would consider it.

COUNCILMEMBER WILSON MOVED, SECONDED BY COUNCIL PRESIDENT PETERSON, TO GO TO THE VOTERS IN AUGUST WITH A 4-YEAR LEVY THAT INCLUDES \$700,000 FOR STREETS AND \$500,000 FOR PARK MAINTENANCE.

Councilmember Buckshnis preferred to have the polling information before making any decision.

Councilmember Bernheim observed if the levy succeeds, there is a tax increase dedicated to those purposes. If the levy fails, the City still needs those things but there is not enough money to pay for it. Councilmember Wilson agreed. His intent was to make a proposal so that MyEdmondsNews could report on it and get some public conversation about it. The consequence of a levy failure is that no revenue is generated. To the question that Councilmember Plunkett raised last week, whether a project/program be cut if funding is included in a levy and the levy fails, he explained including a project/program in a levy offered the public an opportunity to approve a dedicated funding stream. If the levy fails, there is no dedicated funding, and the project/program is subject to the budget process.

Councilmember Plunkett agreed with Councilmember Wilson's explanation regarding funding for a project/program: if the levy fails, the project/program will be subject to potential cuts like other projects/programs. He will oppose the motion due to his interest in the "financial reset" that the Mayor will present. He also wanted the Finance Committee to review and accept the Mayor's reset. He suggested further discussion regarding a levy versus a TBD funding mechanism. Mayor Cooper intended to present

updated financial information to the full Council at the May 3 meeting; the Finance Committee does not meet until May 10.

Councilmember Wilson commented he was open to funding provided via the TBD, noting funding for parks could not be provided via that method. He preferred a general operating levy that would include enough reserves for four years. He summarized Mayor Cooper will present updated financials and survey data at the May 3 meeting and at that point the Council may be in a better position to vote on his motion.

COUNCILMEMBER WILSON MOVED, SECONDED BY COUNCILMEMBER PLUNKETT, TO TABLE THE MOTION. MOTION CARRIED UNANIMOUSLY.

Councilmember Wilson asked what Councilmember Plunkett meant by “financial reset.” Mayor Cooper explained the most current information available would be added to the forecasting model. That includes the 2010 yearend numbers, the change in the City Attorney budget, the \$320,000 decrease in healthcare with AWC, and adding \$200,000/year for the ECA. Information that likely will not be available is the legislature’s decision regarding contributions for workman’s compensation and pension. He noted the City may be able to struggle through 2012; the forecast takes a nosedive in 2013 and beyond unless the economy improves.

Councilmember Wilson explained the reason he made a motion and tabled it was to avoid the Council taking votes to kill things; the motion was in many ways a trial balloon to generate feedback and keep the Council moving forward.

8. COUNCIL REPORTS ON OUTSIDE COMMITTEE/BOARD MEETINGS.

Councilmember Bernheim reported on the Port Commission meeting; their finances are slightly worse than last year although occupancy at Harbor Square has improved. He reported the Port added recycling bins on their walkways. He plans to talk with their Operations Manager regarding funding for emptying garbage and recycling. The May 9 Port Commission meeting will include a report from Makers regarding Harbor Square redevelopment.

Councilmember Petso reported on the Public Facilities District Board meeting; the news regarding operating is positive. They had a successful fundraising event last week, sold out their most recent show and rental income was up in March. Discussions regarding their capital challenges will continue on Monday.

Councilmember Plunkett reported CTAC’s quarterly report was provided to the Council last week.

COUNCILMEMBER WILSON MOVED, SECONDED BY COUNCIL PRESIDENT PETERSON, TO EXTEND THE MEETING FOR TEN MINUTES. MOTION CARRIED UNANIMOUSLY.

Councilmember Wilson reported the Lake Ballinger Forum has met several times. There is broad support for their \$4 million federal request; it is unknown whether Congress will fund it this year or next. There was frustration with the financial reports at the Lodging Tax Advisory Committee (LTAC). The reports will be clarified and the LTAC will meet again next month.

Councilmember Buckshnis reported the joint Planning Board/Economic Development Commission (EDC) meeting included discussion related to zoning; plans for the BN zones, Westgate and Five Corners; building heights and establishing a 3-story building height rather than 25+5 feet. She reported on the presentation the UW students made at the EDC meeting. That effort is well worth what the City paid and will be very helpful.

Council President Peterson reported on the Disability Board. He stated that Councilmember Fraley-Monillas and he met with Human Resources staff and citizen volunteers to approve expenditures for LEOFF1 employees. Expenditures are slightly below last year's budget.

9. MAYOR'S COMMENTS

Mayor Cooper reported the annual Egg Hunt was a giant success; the weather was great. He explained the City did not expend any money for the Egg Hunt; it is funded by sponsorships. Employees who work at the event do so as part of their routine job description and there is no overtime.

10. COUNCIL COMMENTS

Councilmember Wilson commended Parks & Recreation Director Carrie Hite and her staff on the Egg Hunt.

Councilmember Bernheim commended the Parks Department and the Public Works Department for the reports they provide. He was impressed with their competence, confidence and clarity.

Councilmember Petso reported the Regional Fire Authority Finance Committee met last week; she prepared a written summary for Mayor Cooper and Councilmember Wilson. The committee elected officers and is continuing to collect data.

Council President Peterson advised he added a Council meeting on May 10 at 6:00 – 7:00 p.m. to allow Mayor Cooper to present the polling data. Committee meetings will follow. He also scheduled a discussion regarding a Council staff position on the May 17 agenda.

Council President Peterson reported the ECA had a tremendously successful event last week, exceeding their fundraising goals, raising nearly \$100,000 in sponsorships for the upcoming season. He thanked Councilmember Wilson and Snohomish County Councilmember Wright for attending.

11. ADJOURN

With no further business, the Council meeting was adjourned at 10:05 p.m.